

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

City of Allegan
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Allegan's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by \$258,531 (1 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$521,685, whereas net assets of the business-type activities decreased by \$263,154.
- Of the \$19,385,214 total net assets reported, \$2,391,485 (12 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,060,816 which represents 33 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds, as well as additional information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, library, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component units* - The City includes two other entities in its report - the Downtown Development Authority and the Brownfield Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like Wellness Center and Theatre operations) or to show that it is properly using certain taxes and other revenues (like property taxes collected for the Library and motor fuel taxes collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City uses internal service funds (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service funds consist of an Equipment Fund and an Insurance Fund.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$19,385,214, an increase of 1 percent compared to the prior year. Of this total, \$8,436,413 is invested in capital assets, net of related debt and \$8,557,316 is restricted for various purposes. Consequently, unrestricted net assets were \$2,391,485, or 12 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current assets	\$ 2,381,568	\$ 3,415,616	\$ 1,019,487	\$ 777,144	\$ 3,401,055	\$ 4,192,760
Noncurrent assets	12,855,400	12,606,747	15,096,925	14,771,688	27,952,325	27,378,435
Total assets	15,236,968	16,022,363	16,116,412	15,548,832	31,353,380	31,571,195
Current liabilities	575,341	1,253,121	401,289	348,000	976,630	1,601,121
Noncurrent liabilities	5,218,930	4,804,860	6,015,000	5,780,000	11,233,930	10,584,860
Total liabilities	5,794,271	6,057,981	6,416,289	6,128,000	12,210,560	12,185,981
Net assets:						
Invested in capital assets, net of related debt	2,641,026	3,560,820	3,489,466	4,875,593	6,130,492	8,436,413
Restricted	5,441,993	4,748,317	5,262,359	3,808,999	10,704,352	8,557,316
Unrestricted	1,359,678	1,655,245	948,298	736,240	2,307,976	2,391,485
Total net assets	\$ 9,442,697	\$ 9,964,382	\$ 9,700,123	\$ 9,420,832	\$ 19,142,820	\$ 19,385,214

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)

Changes in net assets. The City's total revenues are \$7,022,178. More than 40 percent of the City's revenues come from property taxes and another 36 percent come from charges for services.

The total cost of all the City's programs, covering a wide range of services, totaled \$6,763,647. More than 34 percent of the City's costs relate to the provision of utility services. Public safety costs account for 22 percent of the costs and culture and recreation costs account for 16 percent of the City's total costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Program revenues:						
Charges for services	\$ 585,706	\$ 577,151	\$ 1,914,863	\$ 1,979,327	\$ 2,500,569	\$ 2,556,478
Operating grants and contributor	690,245	629,538	-	-	690,245	629,538
Capital grants and contributions	329,260	76,543	-	-	329,260	76,543
General revenues:						
Property taxes	2,606,650	2,814,590	-	-	2,606,650	2,814,590
State shared revenue	540,433	533,914	-	-	540,433	533,914
Unrestricted investment return	70,751	274,021	913	4,305	71,664	278,326
Miscellaneous	103,685	45,053	-	67,736	103,685	112,789
Transfers	25,000	20,000	-	-	25,000	20,000
Total revenues	<u>4,951,730</u>	<u>4,970,810</u>	<u>1,915,776</u>	<u>2,051,368</u>	<u>6,867,506</u>	<u>7,022,178</u>
Expenses:						
Legislative	12,141	15,534	-	-	12,141	15,534
General government	923,140	880,552	-	-	923,140	880,552
Public safety	1,455,702	1,514,487	-	-	1,455,702	1,514,487
Public works	799,495	759,218	-	-	799,495	759,218
Community and economic development	75,011	42,415	-	-	75,011	42,415
Culture and recreation	1,133,223	1,068,270	-	-	1,133,223	1,068,270
Interest	157,495	168,649	-	-	157,495	168,649
Sewer	-	-	1,038,784	1,204,597	1,038,784	1,204,597
Water	-	-	953,865	1,109,925	953,865	1,109,925
Total expenses	<u>4,556,207</u>	<u>4,449,125</u>	<u>1,992,649</u>	<u>2,314,522</u>	<u>6,548,856</u>	<u>6,763,647</u>
Increase (decrease) in net assets	<u>\$ 395,523</u>	<u>\$ 521,685</u>	<u>\$ (76,873)</u>	<u>\$ (263,154)</u>	<u>\$ 318,650</u>	<u>\$ 258,531</u>

Governmental activities. Governmental activities increased the City's net assets by \$521,685. Key factors for this increase include:

- An increase in property tax revenues of \$207,300
- Spending reductions and cost containment

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$4,449,125. After subtracting the direct charges to those who directly benefited from the programs (\$577,151), and operating and capital grants (\$706,081), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$3,165,893.

Business-type activities. Business-type activities decreased the City's net assets by \$263,154. The Sewer Fund generated a net decrease of \$266,687 because the rates are not currently set to cover the cost of depreciation of the wastewater treatment infrastructure. The net assets of the Water Fund increased by \$3,533.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,249,260, a decrease of \$492,573 in comparison with the prior year. Of the total fund balances, 34 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for capital projects in the next year (\$921,032), (2) for future capital projects (\$3,000,000), (3) to generate income to pay for the perpetual care of the municipal cemetery (\$171,736), or (4) for other restricted purposes (\$30,846).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$1,060,816, which represents 33 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$143,897 because the increase in property tax revenues outpaced expenditure increases.

The Capital Projects fund experienced a decrease in fund balance of \$623,458. The decrease was created through the expenditure of bond proceeds received in the prior year.

The Capital Asset Improvement Sinking Fund experienced a decrease in fund balance in the amount of \$100,598 because transfers to other funds exceeded investment earnings.

Proprietary funds. The Sewer Fund experienced a decrease in net assets of \$266,687 due to an increase in expenses. Total net assets are \$6,339,863 at year end of which \$455,181 is unrestricted.

The Water Fund experienced an increase in net assets of \$3,533 due to a 16 percent increase in the water usage rate and cost containment. Total net assets are \$3,080,969 at year end of which \$281,059 is unrestricted.

General fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was a decrease of \$66,835. The budgeted expenditures were reduced primarily due to project delays.

Expenditures were \$600,752 less than the amount budgeted. This difference is explained by an extensive capital improvement project at the airport that was delayed until the following fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Capital assets and debt administration***Capital assets.*

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$19,552,212 (net of accumulated depreciation). This investment includes a broad range of assets including police and fire equipment, buildings, and sewer and water facilities. The increase in the City's net investment in capital assets for the current fiscal year was \$1,693,823.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 4,687,157	\$ 10,850,008	\$ 15,537,165
Buildings and improvements	1,852,081	-	1,852,081
Furniture, equipment, and books	1,190,671	-	1,190,671
Land	931,710	40,585	972,295
Totals	<u>\$ 8,661,619</u>	<u>\$ 10,890,593</u>	<u>\$ 19,552,212</u>

Major capital asset events during the current fiscal year included the following:

- Capital improvement projects to replace sewer and water lines and resurface streets totaled \$2,161,845.
- Renovations to the Griswold Auditorium that amounted to \$80,245.
- Equipment and vehicle purchases totaling \$136,077.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt.

At the end of the fiscal year, the City had total long-term bonds and notes outstanding in the amount of \$11,115,799 which represents a decrease of \$612,098 or 5 percent. Of this amount, \$10,120,799 comprises debt backed by the full faith and credit of the City. Another \$995,000 represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$10,120,799) is significantly lower than the current state-imposed limit of \$19,933,950.

Other long-term debt obligations totaling \$82,936 represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 7 of the notes to the basic financial statements.

Economic condition and outlook

The City's General Fund budget for the next year projects no increase in spending. Due to the stagnant economy, the City must hold the line on conservative expenditure trends.

The City's enterprise operations have benefited from the issuance of the capital improvement bonds that are being used to upgrade the City's aging utility infrastructure. After completion of the planned infrastructure improvements, the City intends to further review enterprise operations, including assessed rates.

Contacting the City's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Tracie Moored, Treasurer/Finance Director
City of Allegan
112 Locust Street
Allegan, MI 49010-1390

Phone: (269) 673-5511
E-mail: TMoored@cityofallegan.org

INDEPENDENT AUDITORS' REPORT

City Council
City of Allegan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Allegan, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the City of Allegan, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the City of Allegan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Allegan, Michigan, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Allegan, Michigan's basic financial statements. The supplementary information and supplementary data, as listed in the contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the City of Allegan, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Sigfried Crandall P.C.

September 2, 2005

BASIC FINANCIAL STATEMENTS

City of Allegan
STATEMENT OF NET ASSETS
June 30, 2005

	Primary government			Component units	
	Governmental Activities	Business-type Activities	Totals	Downtown Development Authority	Brownfield Redevelopment Authority
ASSETS					
Current assets:					
Cash	\$ 1,396,737	\$ 409,795	\$ 1,806,532	\$ 400,222	\$ 19,307
Investments	1,463,810	-	1,463,810	-	-
Receivables, net	509,562	367,349	876,911	-	-
Prepaid expenses	45,507	-	45,507	-	-
Total current assets	<u>3,415,616</u>	<u>777,144</u>	<u>4,192,760</u>	<u>400,222</u>	<u>19,307</u>
Noncurrent assets:					
Restricted cash	-	3,808,999	3,808,999	295,600	-
Restricted investments	3,921,032	-	3,921,032	-	-
Unamortized bond issuance costs	24,096	72,096	96,192	-	-
Capital assets, net of depreciation	<u>8,661,619</u>	<u>10,890,593</u>	<u>19,552,212</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>12,606,747</u>	<u>14,771,688</u>	<u>27,378,435</u>	<u>295,600</u>	<u>-</u>
Total assets	<u>16,022,363</u>	<u>15,548,832</u>	<u>31,571,195</u>	<u>695,822</u>	<u>19,307</u>
LIABILITIES					
Current liabilities:					
Payables	874,246	113,000	987,246	12,368	-
Bonds and notes payable	<u>378,875</u>	<u>235,000</u>	<u>613,875</u>	<u>15,000</u>	<u>-</u>
Total current liabilities	<u>1,253,121</u>	<u>348,000</u>	<u>1,601,121</u>	<u>27,368</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	82,936	-	82,936	-	-
Bonds and notes payable	<u>4,721,924</u>	<u>5,780,000</u>	<u>10,501,924</u>	<u>270,000</u>	<u>-</u>
Total noncurrent liabilities	<u>4,804,860</u>	<u>5,780,000</u>	<u>10,584,860</u>	<u>270,000</u>	<u>-</u>
Total liabilities	<u>6,057,981</u>	<u>6,128,000</u>	<u>12,185,981</u>	<u>297,368</u>	<u>-</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,560,820	4,875,593	8,436,413	-	-
Restricted for:					
Public works	331,435	-	331,435	-	-
Economic development	99,161	-	99,161	-	-
Culture and recreation	224,953	-	224,953	-	-
Debt service	-	140,592	140,592	-	-
Capital projects	3,921,032	3,668,407	7,589,439	295,600	-
Perpetual care	171,736	-	171,736	-	-
Unrestricted	<u>1,655,245</u>	<u>736,240</u>	<u>2,391,485</u>	<u>102,854</u>	<u>19,307</u>
Total net assets	<u>\$ 9,964,382</u>	<u>\$ 9,420,832</u>	<u>\$ 19,385,214</u>	<u>\$ 398,454</u>	<u>\$ 19,307</u>

See notes to the financial statements

City of Allegan
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

Functions /Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
Governmental activities:				
Legislative	\$ 15,534	\$ -	\$ -	\$ -
General government	880,552	60,262	730	-
Public safety	1,514,487	148,195	50,755	11,402
Public works	759,218	79,531	507,650	20,141
Community and economic development	42,415	-	-	-
Culture and recreation	1,068,270	289,163	70,403	45,000
Interest on long-term debt	168,649	-	-	-
Total governmental activities	<u>4,449,125</u>	<u>577,151</u>	<u>629,538</u>	<u>76,543</u>
Business-type activities:				
Sewer	1,204,597	906,473	-	-
Water	1,109,925	1,072,854	-	-
Total business-type activities	<u>2,314,522</u>	<u>1,979,327</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,763,647</u>	<u>\$ 2,556,478</u>	<u>\$ 629,538</u>	<u>\$ 76,543</u>
Component units:				
Downtown Development Authority	\$ 153,843	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	146	-	-	-
Total component units	<u>\$ 153,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenue
Franchise fees
Unrestricted investment return
Other
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>				
<i>Primary government</i>			<i>Component units</i>	
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>	<i>Brownfield Redevelopment Authority</i>
\$ (15,534)		\$ (15,534)		
(819,560)		(819,560)		
(1,304,135)		(1,304,135)		
(151,896)		(151,896)		
(42,415)		(42,415)		
(663,704)		(663,704)		
(168,649)		(168,649)		
(3,165,893)		(3,165,893)		
	\$ (298,124)	(298,124)		
	(37,071)	(37,071)		
	(335,195)	(335,195)		
(3,165,893)	(335,195)	(3,501,088)		
			\$ (153,843)	\$ -
			-	(146)
			(153,843)	(146)
2,814,590	-	2,814,590	147,319	1,879
533,914	-	533,914	-	-
35,078	-	35,078	-	-
274,021	4,305	278,326	9,720	92
9,975	67,736	77,711	4,379	-
20,000	-	20,000	(20,000)	-
3,687,578	72,041	3,759,619	141,418	1,971
521,685	(263,154)	258,531	(12,425)	1,825
9,442,697	9,683,986	19,126,683	395,879	17,482
\$ 9,964,382	\$ 9,420,832	\$ 19,385,214	\$ 383,454	\$ 19,307

See notes to the financial statements

City of Allegan
BALANCE SHEET - governmental funds
June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Asset Improvement Sinking</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 239,756	\$ 136,638	\$ 134,327	\$ 709,673	\$ 1,220,394
Investments	537,340	1,688,621	3,033,893	124,988	5,384,842
Receivables	402,976	6,246	-	100,340	509,562
Due from other funds	47,397	-	-	98,007	145,404
Total assets	<u>\$ 1,227,469</u>	<u>\$ 1,831,505</u>	<u>\$ 3,168,220</u>	<u>\$ 1,033,008</u>	<u>\$ 7,260,202</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 71,043	\$ 726,980	\$ -	\$ 22,515	\$ 820,538
Due to other funds	50,610	-	94,794	-	145,404
Deferred revenue	45,000	-	-	-	45,000
Total liabilities	<u>166,653</u>	<u>726,980</u>	<u>94,794</u>	<u>22,515</u>	<u>1,010,942</u>
Fund balances:					
Reserved:					
Capital projects	-	921,032	3,000,000	-	3,921,032
Perpetual care	-	-	-	171,736	171,736
Other	-	-	-	29,533	29,533
Unreserved:					
Designated	-	-	-	100,748	100,748
Undesignated	1,060,816	183,493	73,426	708,476	2,026,211
Total fund balances	<u>1,060,816</u>	<u>1,104,525</u>	<u>3,073,426</u>	<u>1,010,493</u>	<u>6,249,260</u>
Total liabilities and fund balances	<u>\$ 1,227,469</u>	<u>\$ 1,831,505</u>	<u>\$ 3,168,220</u>	<u>\$ 1,033,008</u>	<u>\$ 7,260,202</u>
Total fund balances - total governmental funds					\$ 6,249,260
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					7,989,320
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.					69,096
Internal service funds are used by management to charge the costs of fleet management and various insurances to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.					891,141
Compensated absence and accrued interest liabilities are not due and payable in the current period and are not reported in the funds.					(133,636)
Bonds payable are not due and payable in the current period and are not reported in the funds.					<u>(5,100,799)</u>
Net assets of <i>governmental activities</i>					<u>\$ 9,964,382</u>

See notes to the financial statements

City of Allegan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Asset Improvement Sinking</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 2,597,750	\$ -	\$ -	\$ 216,840	\$ 2,814,590
Licenses and permits	28,435	-	-	-	28,435
Federal grants	53,763	36,341	-	-	90,104
State grants	538,606	-	-	378,535	917,141
Contributions from local units	99,025	-	-	115,768	214,793
Charges for services	54,057	-	-	164,943	219,000
Fines and forfeitures	26,438	-	-	122,069	148,507
Investment return and rentals	186,255	103,509	73,986	11,955	375,705
Other	51,503	-	-	53,161	104,664
Total revenues	3,635,832	139,850	73,986	1,063,271	4,912,939
EXPENDITURES					
Legislative	15,534	-	-	-	15,534
General government	836,067	-	-	6,288	842,355
Public safety	1,484,694	-	-	-	1,484,694
Public works	201,425	811,058	-	368,573	1,381,056
Community and economic development	40,043	-	-	2,372	42,415
Culture and recreation	333,868	-	-	650,751	984,619
Capital outlay	128,333	-	-	22,412	150,745
Debt service:					
Principal	99,796	207,302	-	50,000	357,098
Interest	58,995	108,001	-	-	166,996
Total expenditures	3,198,755	1,126,361	-	1,100,396	5,425,512
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	437,077	(986,511)	73,986	(37,125)	(512,573)
OTHER FINANCING SOURCES (USES)					
Transfer in - component unit	-	20,000	-	-	20,000
Transfers in	99,437	343,053	-	124,711	567,201
Transfers out	(392,617)	-	(174,584)	-	(567,201)
Total other financing sources (uses)	(293,180)	363,053	(174,584)	124,711	20,000
NET CHANGE IN FUND BALANCES	143,897	(623,458)	(100,598)	87,586	(492,573)
FUND BALANCES - BEGINNING	916,919	1,727,983	3,174,024	922,907	6,741,833
FUND BALANCES - ENDING	\$ 1,060,816	\$ 1,104,525	\$ 3,073,426	\$ 1,010,493	\$ 6,249,260

Net change in fund balances - total governmental funds \$ (492,573)

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add: Capital asset acquisitions	877,248
Deduct: Provision for depreciation	(328,283)

Repayment of principal on long-term debt is an expenditure in the funds, but not in the statement of activities where it reduces long-term debt. 357,098

Changes in other assets and liabilities:	
Amortization of bond issuance costs	(1,053)
Net decrease in compensated absences	57,585
Net increase in accrued interest payable	(600)
Net increase in deferred revenue	28,800

The net revenues of certain activities of the internal service funds is reported with governmental activities. 23,463

Change in net assets of *governmental activities* \$ 521,685

City of Allegan
STATEMENT OF NET ASSETS - proprietary funds
June 30, 2005

	<u>Business-type activities - Enterprise funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
ASSETS				
Current assets:				
Cash	\$ 312,482	\$ 97,313	\$ 409,795	\$ 176,343
Receivables, net	160,257	207,092	367,349	-
Prepays	-	-	-	45,507
Total current assets	<u>472,739</u>	<u>304,405</u>	<u>777,144</u>	<u>221,850</u>
Noncurrent assets:				
Restricted cash	907,643	2,901,356	3,808,999	-
Unamortized bond issuance costs, net	28,128	43,968	72,096	-
Capital assets, net of depreciation	<u>6,937,039</u>	<u>3,953,554</u>	<u>10,890,593</u>	<u>672,299</u>
Total noncurrent assets	<u>7,872,810</u>	<u>6,898,878</u>	<u>14,771,688</u>	<u>672,299</u>
Total assets	<u>8,345,549</u>	<u>7,203,283</u>	<u>15,548,832</u>	<u>894,149</u>
LIABILITIES				
Current liabilities:				
Payables	45,686	67,314	113,000	3,008
Bonds payable	<u>50,000</u>	<u>185,000</u>	<u>235,000</u>	<u>-</u>
Total current liabilities	95,686	252,314	348,000	3,008
Noncurrent liabilities:				
Bonds payable	<u>1,910,000</u>	<u>3,870,000</u>	<u>5,780,000</u>	<u>-</u>
Total liabilities	<u>2,005,686</u>	<u>4,122,314</u>	<u>6,128,000</u>	<u>3,008</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,977,039	(101,446)	4,875,593	672,299
Restricted for:				
Debt service	-	140,592	140,592	-
Capital projects	907,643	2,760,764	3,668,407	-
Unrestricted	<u>455,181</u>	<u>281,059</u>	<u>736,240</u>	<u>218,842</u>
Total net assets	<u>\$ 6,339,863</u>	<u>\$ 3,080,969</u>	<u>\$ 9,420,832</u>	<u>\$ 891,141</u>

See notes to the financial statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - *proprietary funds*

Year ended June 30, 2005

	<u>Business-type activities - Enterprise funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
OPERATING REVENUES				
Charges for services	\$ 906,473	\$ 1,072,854	\$ 1,979,327	\$ 997,138
Other	28,777	38,959	67,736	19,453
Total operating revenues	935,250	1,111,813	2,047,063	1,016,591
OPERATING EXPENSES				
Administration	96,383	96,656	193,039	-
Plant	617,390	535,579	1,152,969	-
Wastewater collection	144,446	-	144,446	-
Water distribution	-	112,398	112,398	-
Meter reading	14,824	17,537	32,361	-
Depreciation	210,903	130,546	341,449	95,495
Amortization	1,172	1,832	3,004	-
Costs of interfund services	25,074	18,109	43,183	922,841
Total operating expenses	1,110,192	912,657	2,022,849	1,018,336
OPERATING INCOME (LOSS)	(174,942)	199,156	24,214	(1,745)
NONOPERATING REVENUES (EXPENSES)				
Investment return	2,660	1,645	4,305	5,447
Gain on sale of fixed assets	-	-	-	3,624
Interest expense	(94,405)	(197,268)	(291,673)	-
Total nonoperating revenues (expenses)	(91,745)	(195,623)	(287,368)	9,071
CHANGE IN NET ASSETS	(266,687)	3,533	(263,154)	7,326
NET ASSETS - BEGINNING	6,606,550	3,077,436	9,683,986	883,815
NET ASSETS - ENDING	\$ 6,339,863	\$ 3,080,969	\$ 9,420,832	\$ 891,141

See notes to the financial statements

City of Allegan
STATEMENT OF CASH FLOWS - proprietary funds
Year ended June 30, 2005

	<u>Business-type activities - Enterprise funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 929,851	\$ 1,083,676	\$ 2,013,527	\$ -
Receipts from interfund services provided	-	-	-	1,016,591
Payments to suppliers	(565,527)	(521,501)	(1,087,028)	(892,360)
Payments to employees	(310,899)	(280,775)	(591,674)	(36,878)
Payments for interfund services used	(25,074)	(18,109)	(43,183)	-
Net cash provided by operating activities	<u>28,351</u>	<u>263,291</u>	<u>291,642</u>	<u>87,353</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due from other funds	<u>188,175</u>	<u>-</u>	<u>188,175</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	-	-	3,624
Acquisition of capital assets	(1,103,923)	(368,653)	(1,472,576)	(109,226)
Principal payments on capital debt	(60,000)	(195,000)	(255,000)	-
Interest payments on capital debt	(90,105)	(191,368)	(281,473)	-
Net cash used in capital and related financing activities	<u>(1,254,028)</u>	<u>(755,021)</u>	<u>(2,009,049)</u>	<u>(105,602)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	97,977	-	97,977	-
Interest received	<u>2,660</u>	<u>1,645</u>	<u>4,305</u>	<u>5,447</u>
Net cash provided by investing activities	<u>100,637</u>	<u>1,645</u>	<u>102,282</u>	<u>5,447</u>
NET DECREASE IN CASH	<u>(936,865)</u>	<u>(490,085)</u>	<u>(1,426,950)</u>	<u>(12,802)</u>
CASH - BEGINNING (including \$5,262,359 in restricted accounts)	<u>2,156,990</u>	<u>3,488,754</u>	<u>5,645,744</u>	<u>189,145</u>
CASH - ENDING (including \$3,808,999 in restricted accounts)	<u>\$ 1,220,125</u>	<u>\$ 2,998,669</u>	<u>\$ 4,218,794</u>	<u>\$ 176,343</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (174,942)	\$ 199,156	\$ 24,214	\$ (1,745)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	210,903	130,546	341,449	95,495
Amortization	1,172	1,832	3,004	-
(Increase) decrease in:				
Receivables	(5,399)	(28,137)	(33,536)	-
Prepays	-	-	-	(4,308)
Decrease in payables	(3,383)	(40,106)	(43,489)	(2,089)
Net cash provided by operating activities	<u>\$ 28,351</u>	<u>\$ 263,291</u>	<u>\$ 291,642</u>	<u>\$ 87,353</u>

See notes to the financial statements

City of Allegan
STATEMENT OF FIDUCIARY NET ASSETS - agency fund
June 30, 2005

ASSETS

Cash	\$ 12,220
Taxes receivable	<u>64,800</u>
Total assets	<u>\$ 77,020</u>

LIABILITIES

Due to other governmental units	<u>\$ 77,020</u>
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See notes to the financial statements

City of Allegan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Allegan, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally from the City.

Discretely-presented component units:

Downtown Development Authority and Brownfield Development Authority:

Each component units' governing body is appointed by the City Council and their budgets must be approved by the City Council. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

Hospital Finance Authority:

The Hospital Finance Authority was created to provide a method to enable nonprofit, nonpublic hospitals to provide facilities and services for health care and, to accomplish these purposes, the Authority is authorized to issue bonds. A three-person Commission, appointed by the City Council, governs the Authority that may not issue debt without the approval of the City Council. The Authority has no assets, liabilities, equity, revenue, or expenses; therefore, no separate columns have been included in the financial statements associated with the Authority.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Capital Asset Improvement Sinking Fund accounts for financial resources to be used to purchase capital additions, improvements, or betterments. Revenues are derived from the investment earnings of a trust fund established in 1967 when the City sold its electric utility facilities.

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports internal service funds that account for fleet management services and insurances provided to other departments of the City on a cost-reimbursement basis.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

- i) Cash and investments* - Cash is considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

All investments are reported at fair market value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled investment income is proportionately allocated to all funds.

- ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

- iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

- iv) Restricted assets* - Certain bond proceeds and resources set aside for their repayment are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

- v) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Sewer and water systems	50 years

- vi) Compensated absences* - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

- vii) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations in budgeted funds - The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Debt service - interest	\$ 44,770	\$ 58,995	\$ 14,225
Library	Capital outlay	-	11,641	11,641

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS:

At June 30, 2005, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary government:	
Cash	\$ 1,806,532
Investments	1,463,810
Restricted cash	3,808,999
Restricted investments	3,921,032
Component units	
Cash	419,529
Restricted cash	295,600
Fiduciary fund - cash	<u>12,220</u>
Total cash and investments	<u>\$ 11,727,722</u>

At June 30, 2005, cash and investments consist of the following:

Cash on hand	\$ 600
Deposits with financial institutions	6,342,280
Investments	<u>5,384,842</u>
Total	<u>\$ 11,727,722</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2005, \$5,566,426 of the City's bank balances of \$6,610,990 was exposed to custodial credit risk because it was uninsured. The City maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance has been allocated entirely to the primary government.

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes and the City's investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

The City's investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the City's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the City:

<u>Investment type</u>	<u>Carrying amount</u>
U.S. government and agency securities	<u>\$ 5,384,842</u>

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City's investment policy has no specific limitations with respect to maturities of investments. At year end, the average maturities of the City's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (in years)</u>
U.S. government and agency securities:		
Treasury notes	\$ 1,274,468	5.33
Federal Home Loan Mortgage Corporation	495,328	4.00
Federal National Mortgage Association	1,381,297	3.43
Federal Home Loan Bank	2,135,048	3.13
Federal Farm Credit Bank	97,906	2.00
Government National Mortgage Association pool	<u>795</u>	N/A
	<u>\$ 5,384,842</u>	

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the credit quality ratings of the City's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization</u>
U.S. government and agency securities:			
Treasury notes	\$ 1,274,468	AAA	S&P
Federal Home Loan Mortgage Corporation	495,328	AAA	S&P
Federal National Mortgage Association	1,381,297	AAA	S&P
Federal Home Loan Bank	2,135,048	AAA	S&P
Federal Farm Credit Bank	97,906	AAA	S&P
Government National Mortgage Association pool	<u>795</u>		not rated
	<u>\$ 5,384,842</u>		

Concentration of credit risk. State statutes and the City's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the City's total investment are as follows:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage</u>
U.S. government agencies:		
Federal Home Loan Bank	2,135,048	40%
Federal National Mortgage Association	1,381,297	26%
Federal Home Loan Mortgage Corporation	495,328	9%

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At June 30, 2005, the City's receivables are as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Inter- govern- mental</i>	<i>Totals</i>
Governmental activities:				
General Fund	\$ 22,558	\$ 27,594	\$ 352,824	\$ 402,976
Capital Projects Fund	-	6,246	-	6,246
Nonmajor governmental funds	-	23,728	76,612	100,340
Total governmental activities	<u>\$ 22,558</u>	<u>\$ 57,568</u>	<u>\$ 429,436</u>	<u>\$ 509,562</u>
Business-type activities:				
Sewer Fund	\$ -	\$ 160,257	\$ -	\$ 160,257
Water Fund	-	207,092	-	207,092
Total business-type activities	<u>\$ -</u>	<u>\$ 367,349</u>	<u>\$ -</u>	<u>\$ 367,349</u>

All receivables are due within one year and are considered fully collectible.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 931,710	\$ -	\$ -	\$ 931,710
Capital assets being depreciated:				
Streets	-	730,352	-	730,352
Land improvements	4,709,373	-	-	4,709,373
Buildings and improvements	2,828,597	84,745	-	2,913,342
Furniture, equipment, and books	1,501,788	118,100	39,985	1,579,903
Vehicles	1,449,499	53,277	28,904	1,473,872
Subtotal	10,489,257	986,474	68,889	11,406,842
Less accumulated depreciation for:				
Streets	-	3,043	-	3,043
Land improvements	622,604	126,921	-	749,525
Buildings and improvements	992,045	69,216	-	1,061,261
Furniture, equipment, and books	838,659	136,883	39,985	935,557
Vehicles	868,736	87,715	28,904	927,547
Subtotal	3,322,044	423,778	68,889	3,676,933
Total capital assets being depreciated, net	7,167,213	1,410,252	137,778	7,729,909
Governmental activities capital assets, net	\$ 8,098,923	\$ 1,410,252	\$ 137,778	\$ 8,661,619

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 40,585	\$ -	\$ -	\$ 40,585
Capital assets being depreciated:				
Sewer system	10,182,286	1,103,923	(38,874)	11,247,335
Water system	5,985,992	368,653	(49,267)	6,305,378
Subtotal	16,168,278	1,472,576	(88,141)	17,552,713
Less accumulated depreciation for:				
Sewer system	(4,138,267)	(210,903)	38,874	(4,310,296)
Water system	(2,311,130)	(130,546)	49,267	(2,392,409)
Subtotal	(6,449,397)	(341,449)	88,141	(6,702,705)
Total capital assets being depreciated, net	9,718,881	1,131,127	-	10,850,008
Business-type activities capital assets, net	\$ 9,759,466	\$ 1,131,127	\$ -	\$ 10,890,593

Depreciation expense was charged to the City's functions as follows:

Governmental activities:	
General government	\$ 29,880
Public safety	76,756
Public works	125,496
Culture and recreation	96,151
Depreciation on internal service fund assets	95,495
Total governmental activities	\$ 423,778
Business-type activities:	
Sewer	\$ 210,903
Water	130,546
Total business-type activities	\$ 341,449

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

At June 30, 2005, the City's payables are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 53,710	\$ 17,333	\$ -	\$ 71,043
Capital projects	726,980	-	-	726,980
Nonmajor governmental	<u>19,894</u>	<u>2,621</u>	<u>-</u>	<u>22,515</u>
Totals	<u>\$ 800,584</u>	<u>\$ 19,954</u>	<u>\$ -</u>	<u>\$ 820,538</u>
Business-type activities:				
Sewer	\$ 9,733	\$ 20,553	\$ 15,400	\$ 45,686
Water	<u>23,276</u>	<u>11,338</u>	<u>32,700</u>	<u>67,314</u>
Totals	<u>\$ 33,009</u>	<u>\$ 31,891</u>	<u>\$ 48,100</u>	<u>\$ 113,000</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2005, the composition of interfund balances is as follows:

General	\$ 47,397	Capital Asset Improvement	
Capital Reserve Sinking	<u>47,397</u>	Improvement Sinking	\$ 94,794
	94,794		
Cemetery Perpetual Care	<u>50,610</u>	General	<u>50,610</u>
Total	<u>\$ 145,404</u>	Total	<u>\$ 145,404</u>

The amount payable by the Capital Asset Sinking Fund represents distributions of the fund's realized investment earnings for the fiscal year ended June 30, 2005. The distributions are made pursuant to a trust agreement.

The amount payable by the General Fund to the Cemetery Perpetual Care Fund represents a loan to finance the cost of improvements to the City cemetery in prior years; \$43,380 of the balance is not scheduled to be collected in the subsequent year.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 47,397		
Nonmajor governmental	47,397		
	<u>94,794</u>	Capital Asset Improvement Sinking	\$ 94,794
General	52,040		
Capital projects	27,750		
	<u>79,790</u>	Capital Asset Improvement Sinking	79,790
Nonmajor governmental	77,314		
Capital projects	315,303		
	<u>392,617</u>	General	<u>392,617</u>
Total	<u>\$ 567,201</u>	Total	<u>\$ 567,201</u>

The transfers out of the Capital Asset Sinking Fund, in the amount of \$94,794, represent distributions of the fund's realized investment earnings for the fiscal year ended June 30, 2005. The distributions are made pursuant to a trust agreement.

The transfers out of the Capital Asset Sinking Fund, in the amount of \$79,790, represent unrestricted revenues to finance programs accounted for in other funds in accordance with budgetary authorizations.

The transfers out of the General Fund represent unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

The Allegan Downtown Development Authority, a component unit, also transferred \$20,000 to the Capital Projects Fund to assist in the financing of a program accounted for in the Capital Projects Fund.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS:

At June 30, 2005, long-term obligations are comprised of the following individual issues:

Primary government:

Governmental activities:

Bonds and notes:

\$1,373,796 1998 Michigan Economic Development Corporation note - payable in quarterly installments of \$15,575 bearing 0% interest through December 2012	\$ 498,414
\$3,000,000 1998 General obligation limited tax improvement bonds - payable in annual installments ranging from \$145,000 to \$340,000, plus interest at 4.25% to 4.90%; final payment due November 2012	2,270,000
\$607,000 1999 Installment purchase agreement note - payable in annual installments ranging from \$49,573 to \$88,283, plus interest at 4.85%; final payment due August 2010	361,385
\$360,000 2004 USDA airport revenue bonds - payable in annual installments ranging from \$7,000 to \$21,000, plus interest at 4.25%; final payment due July 2033	346,000
\$1,725,000 2004 Capital improvement bonds - payable in annual installments ranging from \$100,000 to \$155,000, plus interest at 2.00% to 5.25%; final payment due May 2019	<u>1,625,000</u>
Total bonds and notes	<u>\$ 5,100,799</u>

Business-type activities:

Bonds and notes:

\$850,000 1996 Water supply system revenue bonds - payable in annual installments ranging from \$65,000 to \$90,000, plus interest at 4.90% to 5.90%; final payment due May 2011	\$ 470,000
\$650,000 2001 Water supply system revenue bonds - payable in annual installments ranging from \$35,000 to \$60,000, plus interest at 3.50% to 5.00%; final payment due May 2016	525,000
\$5,175,000 2004 Capital improvement bonds - payable in annual installments ranging from \$155,000 to \$350,000, plus interest at 2.00% to 5.25%; final payment due May 2019	<u>5,020,000</u>
Total business-type activities long-term obligations	<u>\$ 6,015,000</u>

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

Long-term obligation activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
MEDC loan	\$ 560,716	\$ -	\$ (62,302)	\$ 498,414	\$ 62,302
1998 General obligation bonds	2,415,000	-	(145,000)	2,270,000	170,000
1999 Installment purchase note	408,186	-	(46,801)	361,385	49,573
2004 USDA revenue bonds	348,995	-	(2,995)	346,000	7,000
2004 Capital improvement bonds	<u>1,725,000</u>	<u>-</u>	<u>(100,000)</u>	<u>1,625,000</u>	<u>90,000</u>
Total bonds and notes	5,457,897	-	(357,098)	5,100,799	378,875
Compensated absences	<u>140,521</u>	<u>159,134</u>	<u>(216,719)</u>	<u>82,936</u>	<u>-</u>
Total governmental activities	<u>\$ 5,598,418</u>	<u>\$ 159,134</u>	<u>\$ (573,817)</u>	<u>\$ 5,183,735</u>	<u>\$ 378,875</u>
Business-type activities:					
1996 Water revenue bonds	\$ 535,000	\$ -	\$ (65,000)	\$ 470,000	\$ 70,000
2001 Water revenue bonds	560,000	-	(35,000)	525,000	40,000
2004 Capital improvement bonds	<u>5,175,000</u>	<u>-</u>	<u>(155,000)</u>	<u>5,020,000</u>	<u>125,000</u>
Total business-type activities	<u>\$ 6,270,000</u>	<u>\$ -</u>	<u>\$ (255,000)</u>	<u>\$ 6,015,000</u>	<u>\$ 235,000</u>
Component unit:					
2004 Capital improvement bonds	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 285,000</u>	<u>\$ 15,000</u>

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

At June 30, 2005, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i> <i>June 30,</i>	<i>Governmental activities</i>		<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2006	\$ 378,875	\$ 206,642	\$ 235,000	\$ 297,685
2007	471,279	191,781	240,000	288,555
2008	493,800	174,423	245,000	279,041
2009	512,443	155,169	255,000	267,941
2010	530,215	134,706	265,000	256,201
2011 - 2015	1,872,187	366,434	1,135,000	1,167,921
2016 - 2020	625,000	128,415	1,060,000	775,607
2021 - 2025	64,000	40,196	1,285,000	548,130
2026 - 2030	81,000	24,882	1,295,000	174,302
2031 - 2035	72,000	6,344	-	-
Totals	<u>\$ 5,100,799</u>	<u>\$ 1,428,992</u>	<u>\$ 6,015,000</u>	<u>\$ 4,055,383</u>

All debt is secured by the full faith and credit of the City.

Conduit Debt Obligation:

The City, through its Hospital Finance Authority, has issued Hospital Revenue and Refunding Bonds to provide financial assistance to a nonprofit hospital for the acquisition and construction of hospital facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the nonprofit hospital. Neither the City, the State of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2005, Allegan General Hospital Revenue and Refunding Bonds outstanding aggregated \$8,265,000.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City of Allegan. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):

Funding policy:

Contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Annual pension cost:

For the year ended June 30, 2005, the City's annual pension cost of \$118,918 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 32 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
06/30/03	\$118,980	100%	\$ -
06/30/04	110,823	100%	-
06/30/05	118,918	100%	-

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

On July 1, 1985, the City adopted a defined contribution pension plan, specifically referred to as the City of Allegan Employees' Money Purchase Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after completing one thousand hours of service and attaining the age of eighteen. The Plan requires that the City contribute, on behalf of each covered employee, the greater of 10% of their taxable wage base or \$1,500. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the City's current period contribution requirements. The City is not responsible for investment management of plan assets. Michigan state statutes assign the authority to establish and amend benefit provisions to the Allegan City Council.

The City made the required contributions of \$169,163 for the year ended June 30, 2005.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - OTHER POST-RETIREMENT BENEFITS:

The City provides post-retirement health care benefits to employees and their beneficiaries who retired on or before April 1, 1990, as required by a local ordinance. The retirees are required to make monthly payments to the Insurance Fund to reimburse the City for the full cost of coverage for these benefits. At June 30, 2005, three retirees participate in continuance of coverage. Expenses for post-retirement health care benefits are recognized as retirees' premium costs are incurred. For the year ended June 30, 2005, the City recognized expenses of \$-0-, which was net of \$17,130 of retiree contributions.

NOTE 12 - INTERNAL TRUST ARRANGEMENTS:

a) Capital Asset Improvement Sinking Fund:

In 1967, the City sold its electric utility facilities and placed the disposition proceeds in a trust fund to be used to purchase capital additions, improvements, or betterments, as permissible by law. Net realized investment income is to be distributed as follows:

- One fifth (1/5) retained by the fund;
- Two fifths (2/5) transferred to General Fund; and
- Two fifths (2/5) transferred to another trust fund (Capital Reserve Sinking Fund)

b) Capital Reserve Sinking Fund:

The City established a trust fund to account for certain investment income of the Capital Asset Improvement Sinking Fund (see above). Net assets of this fund shall not exceed \$1,000,000, which may be used to purchase capital additions, improvements, or betterments, as approved by a three fifths (3/5) majority vote of qualified voters of the City. The fund currently has net assets of \$179,493 as of June 30, 2005.

NOTE 13 - ECONOMIC DEPENDENCY:

For the year ended June 30, 2005, the City received approximately 37% of its property tax revenues and 29% of its utility revenues from one industrial property owner.

NOTE 14 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$5,000,000, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 15 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2005, is as follows:

Revenues	\$ 28,035
Expenses	<u>150,214</u>
Deficiency of revenues over expenses	<u>\$ (122,179)</u>

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 - CONSTRUCTION COMMITMENTS:

At June 30, 2005, the City had authorized contracts totaling \$4,400,000 for infrastructure improvements including sewer and water line replacements and street resurfacing. The improvements are being funded by capital improvement bonds issued in 2004 in the amount of \$7,200,000. Costs incurred through June 30, 2005, were \$1,200,000, leaving a commitment of \$3,200,000.

The City also has a contract for \$368,000 for riverfront and parking lot improvements on Brady Street. No costs were incurred through June 30, 2005. The improvements will be funded by a \$495,000 federal grant.

REQUIRED SUPPLEMENTARY INFORMATION

City of Allegan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 2,542,630	\$ 2,542,630	\$ 2,597,750	\$ 55,120
Licenses and permits	30,000	30,000	28,435	(1,565)
Federal grants	320,000	320,000	53,763	(266,237)
State grants	516,400	516,400	538,606	22,206
Contributions from local units	65,500	65,500	99,025	33,525
Charges for services	379,850	63,900	54,057	(9,843)
Fines and forfeitures	27,000	27,000	26,438	(562)
Investment return and rentals	137,500	137,500	186,255	48,755
Other	88,800	48,300	51,503	3,203
Total revenues	<u>4,107,680</u>	<u>3,751,230</u>	<u>3,635,832</u>	<u>(115,398)</u>
EXPENDITURES				
Legislative	16,250	16,250	15,534	716
General government	1,207,126	1,046,816	836,067	210,749
Public safety	1,635,551	1,573,226	1,484,694	88,532
Public works	84,110	421,110	201,425	219,685
Community and economic development	45,000	45,000	40,043	4,957
Culture and recreation	358,305	377,205	333,868	43,337
Capital outlay	383,000	177,900	128,333	49,567
Debt service:				
Principal	47,230	97,230	99,796	(2,566)
Interest	89,770	44,770	58,995	(14,225)
Total expenditures	<u>3,866,342</u>	<u>3,799,507</u>	<u>3,198,755</u>	<u>600,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>241,338</u>	<u>(48,277)</u>	<u>437,077</u>	<u>485,354</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	126,000	126,000	99,437	(26,563)
Transfers out	(374,721)	(394,721)	(392,617)	2,104
Total financing sources (uses)	<u>(248,721)</u>	<u>(268,721)</u>	<u>(293,180)</u>	<u>(24,459)</u>
NET CHANGE IN FUND BALANCES	<u>(7,383)</u>	<u>(316,998)</u>	<u>143,897</u>	<u>460,895</u>
FUND BALANCES - BEGINNING	<u>916,919</u>	<u>916,919</u>	<u>916,919</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 909,536</u>	<u>\$ 599,921</u>	<u>\$ 1,060,816</u>	<u>\$ 460,895</u>

City of Allegan**BUDGETARY COMPARISON SCHEDULE - Capital Projects Fund**

Year ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ 460,350	\$ 460,350	\$ 36,341	\$ (424,009)
State grants	300,000	300,000	-	(300,000)
Investment return	-	-	103,509	103,509
Total revenues	<u>760,350</u>	<u>760,350</u>	<u>139,850</u>	<u>(620,500)</u>
EXPENDITURES				
Public works	991,850	991,850	811,058	180,792
Debt service:				
Principal	210,406	210,406	207,302	3,104
Interest	<u>108,001</u>	<u>108,001</u>	<u>108,001</u>	<u>-</u>
Total expenditures	<u>1,310,257</u>	<u>1,310,257</u>	<u>1,126,361</u>	<u>183,896</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(549,907)	(549,907)	(986,511)	(436,604)
OTHER FINANCING SOURCES				
Transfers in	<u>538,407</u>	<u>538,407</u>	<u>363,053</u>	<u>(175,354)</u>
NET CHANGE IN FUND BALANCES	(11,500)	(11,500)	(623,458)	(611,958)
FUND BALANCES - BEGINNING	<u>1,727,983</u>	<u>1,727,983</u>	<u>1,727,983</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,716,483</u>	<u>\$ 1,716,483</u>	<u>\$ 1,104,525</u>	<u>\$ (611,958)</u>

City of Allegan**BUDGETARY COMPARISON SCHEDULE - Capital Asset Improvement Sinking Fund**

Year ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Investment return	\$ 190,000	\$ 190,000	\$ 73,986	\$ (116,014)
Other	<u>195,000</u>	<u>195,000</u>	<u>-</u>	<u>(195,000)</u>
Total revenues	385,000	385,000	73,986	(311,014)
OTHER FINANCING USES				
Transfers out	<u>(302,000)</u>	<u>(302,000)</u>	<u>(174,584)</u>	<u>127,416</u>
NET CHANGE IN FUND BALANCES	83,000	83,000	(100,598)	(183,598)
FUND BALANCES - BEGINNING	<u>3,174,024</u>	<u>3,174,024</u>	<u>3,174,024</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,257,024</u>	<u>\$ 3,257,024</u>	<u>\$ 3,073,426</u>	<u>\$ (183,598)</u>

City of Allegan
SCHEDULE OF FUNDING PROGRESS
Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date <u>December 31</u></i>	<i>Actuarial value of assets <u>(a)</u></i>	<i>Actuarial accrued liability (AAL) entry age <u>(b)</u></i>	<i>Unfunded AAL (UAAL) <u>(b-a)</u></i>	<i>Funded ratio <u>(a/b)</u></i>	<i>Covered payroll <u>(c)</u></i>	<i>UAAL as a percentage of covered payroll <u>((b-a)/c)</u></i>
1997	\$ 479,621	\$1,326,960	\$ 847,339	36%	\$395,965	214%
1998	569,429	1,372,114	802,685	42%	436,484	184%
1999	700,302	1,357,238	656,936	52%	516,070	127%
2000	834,553	1,784,575	950,022	47%	530,507	179%
2001	970,738	2,065,680	1,094,942	47%	547,012	200%
2002	1,077,201	2,354,012	1,276,811	46%	612,731	208%
2003	1,288,152	2,605,583	1,317,431	49%	535,918	246%
2004	1,429,189	2,770,066	1,340,877	52%	580,215	231%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Wellness Center</u>	<u>Library</u>
ASSETS				
Cash	\$ 191,905	\$ 65,678	\$ 1,579	\$ 203,234
Investments	-	-	-	-
Receivables, net	43,962	32,650	5,912	11,399
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 235,867</u>	<u>\$ 98,328</u>	<u>\$ 7,491</u>	<u>\$ 214,633</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	<u>\$ 2,009</u>	<u>\$ 751</u>	<u>\$ 6,762</u>	<u>\$ 10,823</u>
Fund balances:				
Reserved:				
Donor restrictions for Library expenditures	-	-	-	23,116
Long-term receivables	-	-	-	-
Cemetery perpetual care	-	-	-	-
Unreserved:				
Designated	-	-	-	55,748
Undesignated	<u>233,858</u>	<u>97,577</u>	<u>729</u>	<u>124,946</u>
Total fund balances	<u>233,858</u>	<u>97,577</u>	<u>729</u>	<u>203,810</u>
Total liabilities and fund balances	<u>\$ 235,867</u>	<u>\$ 98,328</u>	<u>\$ 7,491</u>	<u>\$ 214,633</u>

<u>Revolving Loan</u>	<u>Economic Development</u>	<u>Theatre</u>	<u>Cemetery Perpetual Care</u>	<u>Auditorium and Library</u>	<u>Capital Reserve Sinking</u>	<u>Total nonmajor governmental funds</u>
\$ 72,869	\$ 21,082	\$ 3,949	\$ 120,331	\$ 21,143	\$ 7,903	\$ 709,673
-	-	-	795	-	124,193	124,988
6,417	-	-	-	-	-	100,340
-	-	-	50,610	-	47,397	98,007
<u>\$ 79,286</u>	<u>\$ 21,082</u>	<u>\$ 3,949</u>	<u>\$ 171,736</u>	<u>\$ 21,143</u>	<u>\$ 179,493</u>	<u>\$ 1,033,008</u>
\$ -	\$ 1,207	\$ 963	\$ -	\$ -	\$ -	\$ 22,515
-	-	-	-	-	-	23,116
6,417	-	-	-	-	-	6,417
-	-	-	171,736	-	-	171,736
45,000	-	-	-	-	-	100,748
27,869	19,875	2,986	-	21,143	179,493	708,476
<u>79,286</u>	<u>19,875</u>	<u>2,986</u>	<u>171,736</u>	<u>21,143</u>	<u>179,493</u>	<u>1,010,493</u>
<u>\$ 79,286</u>	<u>\$ 21,082</u>	<u>\$ 3,949</u>	<u>\$ 171,736</u>	<u>\$ 21,143</u>	<u>\$ 179,493</u>	<u>\$ 1,033,008</u>

City of Allegan**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Wellness Center</u>	<u>Library</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 216,840
State grants	259,150	112,054	-	7,331
Contributions from local units	35,909	65,909	-	13,950
Charges for services	28,216	-	27,235	-
Fines and forfeitures	-	-	-	122,069
Investment return and rentals	-	-	-	6,047
Other	<u>697</u>	<u>1,878</u>	<u>16,076</u>	<u>27,319</u>
Total revenues	<u>323,972</u>	<u>179,841</u>	<u>43,311</u>	<u>393,556</u>
EXPENDITURES				
General government	-	-	-	-
Public works	231,818	136,755	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	87,422	415,108
Capital outlay	-	-	11,641	10,491
Debt service - principal	<u>20,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>251,818</u>	<u>166,755</u>	<u>99,063</u>	<u>425,599</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	72,154	13,086	(55,752)	(32,043)
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>56,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	72,154	13,086	248	(32,043)
FUND BALANCES - BEGINNING	<u>161,704</u>	<u>84,491</u>	<u>481</u>	<u>235,853</u>
FUND BALANCES - ENDING	<u>\$ 233,858</u>	<u>\$ 97,577</u>	<u>\$ 729</u>	<u>\$ 203,810</u>

<u>Revolving Loan</u>	<u>Economic Development</u>	<u>Theatre</u>	<u>Cemetery Perpetual Care</u>	<u>Auditorium and Library</u>	<u>Capital Reserve Sinking</u>	<u>Total nonmajor governmental funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,840
-	-	-	-	-	-	378,535
-	-	-	-	-	-	115,768
-	-	109,492	-	-	-	164,943
-	-	-	-	-	-	122,069
567	52	3,269	315	358	1,347	11,955
482	-	6,359	350	-	-	53,161
<u>1,049</u>	<u>52</u>	<u>119,120</u>	<u>665</u>	<u>358</u>	<u>1,347</u>	<u>1,063,271</u>
1,188	-	-	5,100	-	-	6,288
-	-	-	-	-	-	368,573
-	2,372	-	-	-	-	2,372
-	-	148,221	-	-	-	650,751
-	-	280	-	-	-	22,412
-	-	-	-	-	-	50,000
<u>1,188</u>	<u>2,372</u>	<u>148,501</u>	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>1,100,396</u>
(139)	(2,320)	(29,381)	(4,435)	358	1,347	(37,125)
-	-	21,314	-	-	47,397	124,711
(139)	(2,320)	(8,067)	(4,435)	358	48,744	87,586
<u>79,425</u>	<u>22,195</u>	<u>11,053</u>	<u>176,171</u>	<u>20,785</u>	<u>130,749</u>	<u>922,907</u>
<u>\$ 79,286</u>	<u>\$ 19,875</u>	<u>\$ 2,986</u>	<u>\$ 171,736</u>	<u>\$ 21,143</u>	<u>\$ 179,493</u>	<u>\$ 1,010,493</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund***Year ended June 30, 2005*

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Property taxes	\$ 2,542,630	\$ 2,597,750	\$ 55,120
Licenses and permits	30,000	28,435	(1,565)
Federal grants	320,000	53,763	(266,237)
State grants	516,400	538,606	22,206
Contributions from local units	65,500	99,025	33,525
Charges for services	63,900	54,057	(9,843)
Fines and forfeitures	27,000	26,438	(562)
Investment return and rentals	137,500	186,255	48,755
Other	48,300	51,503	3,203
	<u>3,751,230</u>	<u>3,635,832</u>	<u>(115,398)</u>
EXPENDITURES			
Legislative - City Council	<u>16,250</u>	<u>15,534</u>	<u>716</u>
General government:			
Manager	94,680	85,746	8,934
Elections	16,350	6,526	9,824
Assessor	253,160	114,316	138,844
Legal fees	50,000	49,124	876
Treasurer	143,675	115,050	28,625
City hall	81,080	53,411	27,669
Building and grounds	330,400	330,101	299
Cemetery	69,971	78,177	(8,206)
Other administration	7,500	3,616	3,884
	<u>1,046,816</u>	<u>836,067</u>	<u>210,749</u>
Public safety:			
Police department	1,158,020	1,117,056	40,964
Fire department	217,044	217,424	(380)
Inspections department	198,162	150,214	47,948
	<u>1,573,226</u>	<u>1,484,694</u>	<u>88,532</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund (Continued)***Year ended June 30, 2005*

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)			
Public works:			
Street lighting	\$ 64,000	\$ 64,338	\$ (338)
Recycling	9,000	-	9,000
Airport	<u>348,110</u>	<u>137,087</u>	<u>211,023</u>
Total public works	<u>421,110</u>	<u>201,425</u>	<u>219,685</u>
Community and economic development	<u>45,000</u>	<u>40,043</u>	<u>4,957</u>
Culture and recreation:			
Griswold Auditorium	164,975	157,259	7,716
Parks and recreation	207,875	173,444	34,431
Historic Commission	<u>4,355</u>	<u>3,165</u>	<u>1,190</u>
Total culture and recreation	<u>377,205</u>	<u>333,868</u>	<u>43,337</u>
Capital outlay	<u>177,900</u>	<u>128,333</u>	<u>49,567</u>
Debt service - principal	<u>97,230</u>	<u>99,796</u>	<u>(2,566)</u>
Debt service - interest	<u>44,770</u>	<u>58,995</u>	<u>(14,225)</u>
Total expenditures	<u>3,799,507</u>	<u>3,198,755</u>	<u>600,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48,277)</u>	<u>437,077</u>	<u>485,354</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	126,000	99,437	(26,563)
Transfers out	<u>(394,721)</u>	<u>(392,617)</u>	<u>2,104</u>
Total other financing uses	<u>(268,721)</u>	<u>(293,180)</u>	<u>(24,459)</u>
NET CHANGE IN FUND BALANCES	<u>(316,998)</u>	<u>143,897</u>	<u>460,895</u>
FUND BALANCES - BEGINNING	<u>916,919</u>	<u>916,919</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 599,921</u>	<u>\$ 1,060,816</u>	<u>\$ 460,895</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Major Street Fund***Year ended June 30, 2005*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
State grants	\$ 224,500	\$ 259,150	\$ 34,650
Contribution from local unit	30,000	35,909	5,909
Charges for services	46,833	28,216	(18,617)
Other	<u>-</u>	<u>697</u>	<u>697</u>
Total revenues	<u>301,333</u>	<u>323,972</u>	<u>22,639</u>
EXPENDITURES			
Public works:			
Street preservation	177,722	150,640	27,082
Bridge maintenance	3,700	1,101	2,599
Traffic services	15,730	11,613	4,117
Winter maintenance	54,200	45,492	8,708
Surface maintenance	30,700	17,826	12,874
Traffic signals	<u>-</u>	<u>5,146</u>	<u>(5,146)</u>
Total public works	282,052	231,818	50,234
Debt service - principal	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures	<u>302,052</u>	<u>251,818</u>	<u>50,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(719)	72,154	72,873
FUND BALANCES - BEGINNING	<u>161,704</u>	<u>161,704</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 160,985</u>	<u>\$ 233,858</u>	<u>\$ 72,873</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Local Street Fund***Year ended June 30, 2005*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
State grants	\$ 93,000	\$ 112,054	\$ 19,054
Contribution from local unit	60,000	65,909	5,909
Other	2,000	1,878	(122)
Total revenues	<u>155,000</u>	<u>179,841</u>	<u>24,841</u>
EXPENDITURES			
Public works:			
Street preservation	127,610	113,272	14,338
Traffic services	3,915	1,519	2,396
Winter maintenance	22,519	21,964	555
Total public works	154,044	136,755	17,289
Debt service - principal	30,000	30,000	-
Total expenditures	<u>184,044</u>	<u>166,755</u>	<u>17,289</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,044)	13,086	42,130
FUND BALANCES - BEGINNING	<u>84,491</u>	<u>84,491</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 55,447</u>	<u>\$ 97,577</u>	<u>\$ 42,130</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Wellness Center Fund***Year ended June 30, 2005*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Charges for services - concession stand	\$ 40,000	\$ 27,235	\$ (12,765)
Other	<u>34,000</u>	<u>16,076</u>	<u>(17,924)</u>
Total revenues	<u>74,000</u>	<u>43,311</u>	<u>(30,689)</u>
EXPENDITURES			
Culture and recreation	103,350	87,422	15,928
Capital outlay	<u>-</u>	<u>11,641</u>	<u>(11,641)</u>
Total expenditures	<u>103,350</u>	<u>99,063</u>	<u>4,287</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(29,350)	(55,752)	(26,402)
OTHER FINANCING SOURCES			
Transfer in - General Fund	<u>55,000</u>	<u>56,000</u>	<u>1,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	25,650	248	(25,402)
FUND BALANCES - BEGINNING	<u>481</u>	<u>481</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 26,131</u>	<u>\$ 729</u>	<u>\$ (25,402)</u>

City of Allegan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Library Fund**

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Property taxes	\$ 209,200	\$ 216,840	\$ 7,640
State grants	14,450	7,331	(7,119)
Contributions from local units	34,700	13,950	(20,750)
Fines and forfeitures:			
Penal fines	110,000	109,030	(970)
Other	13,000	13,039	39
Investment return	2,500	6,047	3,547
Other	<u>11,500</u>	<u>27,319</u>	<u>15,819</u>
Total revenues	<u>395,350</u>	<u>393,556</u>	<u>(1,794)</u>
EXPENDITURES			
Culture and recreation	411,800	415,108	(3,308)
Capital outlay	<u>15,000</u>	<u>10,491</u>	<u>4,509</u>
Total expenditures	<u>426,800</u>	<u>425,599</u>	<u>1,201</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(31,450)	(32,043)	(593)
FUND BALANCES - BEGINNING	<u>235,853</u>	<u>235,853</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 204,403</u>	<u>\$ 203,810</u>	<u>\$ (593)</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - *Revolving Loan Fund***

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Investment return	\$ -	\$ 567	\$ 567
Other	<u>5,000</u>	<u>482</u>	<u>(4,518)</u>
Total revenues	5,000	1,049	(3,951)
EXPENDITURES			
General government	<u>750</u>	<u>1,188</u>	<u>(438)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,250	(139)	(4,389)
OTHER FINANCING USES			
Transfer out - Capital Projects Fund	<u>(45,000)</u>	<u>-</u>	<u>45,000</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(40,750)	(139)	40,611
FUND BALANCES - BEGINNING	<u>79,425</u>	<u>79,425</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 38,675</u>	<u>\$ 79,286</u>	<u>\$ 40,611</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - *Economic Development Fund***

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Investment return	\$ -	\$ 52	\$ 52
EXPENDITURES			
Community and economic development	<u>22,000</u>	<u>2,372</u>	<u>19,628</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(22,000)	(2,320)	19,680
FUND BALANCES - BEGINNING	<u>22,195</u>	<u>22,195</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 195</u>	<u>\$ 19,875</u>	<u>\$ 19,680</u>

City of Allegan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Theatre Fund**

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Charges for services	\$ 97,750	\$ 109,492	\$ 11,742
Building rentals	2,000	3,269	1,269
Other	23,000	6,359	(16,641)
Total revenues	<u>122,750</u>	<u>119,120</u>	<u>(3,630)</u>
EXPENDITURES			
Culture and recreation	153,064	148,221	4,843
Capital outlay	<u>1,000</u>	<u>280</u>	<u>720</u>
Total expenditures	<u>154,064</u>	<u>148,501</u>	<u>5,563</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(31,314)	(29,381)	1,933
OTHER FINANCING SOURCES			
Transfer in - General Fund	<u>21,314</u>	<u>21,314</u>	<u>-</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(10,000)	(8,067)	1,933
FUND BALANCES - BEGINNING	<u>11,053</u>	<u>11,053</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,053</u>	<u>\$ 2,986</u>	<u>\$ 1,933</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Cemetery Perpetual Care Fund**

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Investment return	\$ 7,231	\$ 315	\$ (6,916)
Contributions	<u>6,000</u>	<u>350</u>	<u>(5,650)</u>
Total revenues	13,231	665	(12,566)
EXPENDITURES			
General government	<u>9,600</u>	<u>5,100</u>	<u>4,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,631	(4,435)	(8,066)
FUND BALANCES - BEGINNING	<u>176,171</u>	<u>176,171</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 179,802</u>	<u>\$ 171,736</u>	<u>\$ (8,066)</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Auditorium and Library Fund**

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Investment return	\$ -	\$ 358	\$ 358
EXCESS OF REVENUES OVER EXPENDITURES	-	358	358
FUND BALANCES - BEGINNING	<u>20,785</u>	<u>20,785</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 20,785</u>	<u>\$ 21,143</u>	<u>\$ 358</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - Capital Reserve Sinking Fund**

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Investment return	\$ -	\$ 1,347	\$ 1,347
OTHER FINANCING SOURCES			
Transfer in - Capital Asset Improvement Fund	<u>76,000</u>	<u>47,397</u>	<u>(28,603)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	76,000	48,744	(27,256)
FUND BALANCES - BEGINNING	<u>130,749</u>	<u>130,749</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 206,749</u>	<u>\$ 179,493</u>	<u>\$ (27,256)</u>

COMBINING STATEMENT OF NET ASSETS - internal service funds

June 30, 2005

	<u>Motor Vehicle and Equipment</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 169,887	\$ 6,456	\$ 176,343
Prepays	<u>-</u>	<u>45,507</u>	<u>45,507</u>
Total current assets	169,887	51,963	221,850
Noncurrent assets:			
Capital assets, net	<u>672,299</u>	<u>-</u>	<u>672,299</u>
Total assets	<u>842,186</u>	<u>51,963</u>	<u>894,149</u>
LIABILITIES			
Current liabilities:			
Payables	<u>2,978</u>	<u>30</u>	<u>3,008</u>
NET ASSETS			
Invested in capital assets	672,299	-	672,299
Unrestricted	<u>166,909</u>	<u>51,933</u>	<u>218,842</u>
Total net assets	<u>\$ 839,208</u>	<u>\$ 51,933</u>	<u>\$ 891,141</u>

*City of Allegan***COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - internal service funds***Year ended June 30, 2005*

	<u><i>Motor Vehicle and Equipment</i></u>	<u><i>Insurance</i></u>	<u><i>Totals</i></u>
OPERATING REVENUES			
Charges for services:			
Equipment rentals	\$ 257,850	\$ -	\$ 257,850
Insurances	-	739,288	739,288
Other	<u>2,323</u>	<u>17,130</u>	<u>19,453</u>
Total operating revenues	<u>260,173</u>	<u>756,418</u>	<u>1,016,591</u>
OPERATING EXPENSES			
Costs of services	169,299	-	169,299
Fringe benefits	-	753,542	753,542
Depreciation	<u>95,495</u>	<u>-</u>	<u>95,495</u>
Total operating expenses	<u>264,794</u>	<u>753,542</u>	<u>1,018,336</u>
OPERATING INCOME (LOSS)	<u>(4,621)</u>	<u>2,876</u>	<u>(1,745)</u>
NONOPERATING REVENUES			
Gain on sale of fixed assets	3,624	-	3,624
Interest revenue	<u>4,551</u>	<u>896</u>	<u>5,447</u>
Total nonoperating revenues	<u>8,175</u>	<u>896</u>	<u>9,071</u>
CHANGE IN NET ASSETS	3,554	3,772	7,326
NET ASSETS - BEGINNING	<u>835,654</u>	<u>48,161</u>	<u>883,815</u>
NET ASSETS - ENDING	<u>\$ 839,208</u>	<u>\$ 51,933</u>	<u>\$ 891,141</u>

COMBINING STATEMENT OF CASH FLOWS - internal service funds

Year ended June 30, 2005

	<u>Motor Vehicle and Equipment</u>	<u>Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 260,173	\$ 756,418	\$ 1,016,591
Payments to suppliers	(134,540)	(757,820)	(892,360)
Payments to employees	<u>(36,878)</u>	<u>-</u>	<u>(36,878)</u>
Net cash provided by (used in) operating activities	<u>88,755</u>	<u>(1,402)</u>	<u>87,353</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	3,624	-	3,624
Acquisition of capital assets	<u>(109,226)</u>	<u>-</u>	<u>(109,226)</u>
Net cash used in capital and related financing activities	<u>(105,602)</u>	<u>-</u>	<u>(105,602)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>4,551</u>	<u>896</u>	<u>5,447</u>
NET DECREASE IN CASH	<u>(12,296)</u>	<u>(506)</u>	<u>(12,802)</u>
CASH - BEGINNING	<u>182,183</u>	<u>6,962</u>	<u>189,145</u>
CASH - ENDING	<u>\$ 169,887</u>	<u>\$ 6,456</u>	<u>\$ 176,343</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (4,621)	\$ 2,876	\$ (1,745)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	95,495	-	95,495
Increase in prepaids	-	(4,308)	(4,308)
Increase (decrease) in payables	<u>(2,119)</u>	<u>30</u>	<u>(2,089)</u>
Net cash provided by operating activities	<u>\$ 88,755</u>	<u>\$ (1,402)</u>	<u>\$ 87,353</u>

SUPPLEMENTARY DATA

City of Allegan

SCHEDULE OF LOAN RETIREMENT -

\$1,373,796 1998 MICHIGAN ECONOMIC DEVELOPMENT CORPORATION NOTE

June 30, 2005

<u><i>Fiscal period</i></u>	<u><i>Principal</i></u>
2006	\$ 62,302
2007	62,302
2008	62,302
2009	62,302
2010	62,302
2011	62,302
2012	62,302
2013	62,300
	<u>\$ 498,414</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$3,000,000 1998 GENERAL OBLIGATION TAX IMPROVEMENT BONDS**

June 30, 2005

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2006	\$ 52,424	\$ 48,684	11/01/05	\$ 170,000	\$ 271,108
2007	48,684	42,964	11/01/06	260,000	351,648
2008	42,964	36,845	11/01/07	275,000	354,809
2009	36,845	30,433	11/01/08	285,000	352,278
2010	30,433	23,533	11/01/09	300,000	353,966
2011	23,533	16,130	11/01/10	315,000	354,663
2012	16,130	8,330	11/01/11	325,000	349,460
2013	8,330	-	11/01/12	340,000	348,330
	<u>\$ 259,343</u>	<u>\$ 206,919</u>		<u>\$ 2,270,000</u>	<u>\$ 2,736,262</u>

City of Allegan

**SCHEDULE OF NOTE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$607,000 1999 INSTALLMENT PURCHASE AGREEMENT NOTE PAYABLE**

June 30, 2005

<i>Fiscal period</i>	<i>Interest requirements August 1</i>	<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
2006	\$ 17,427	08/01/05	\$ 49,573	\$ 67,000
2007	15,023	08/01/06	51,977	67,000
2008	12,502	08/01/07	54,498	67,000
2009	9,859	08/01/08	57,141	67,000
2010	7,087	08/01/09	59,913	67,000
2011	<u>2,114</u>	08/01/10	<u>88,283</u>	<u>90,397</u>
	<u>\$ 64,012</u>		<u>\$ 361,385</u>	<u>\$ 425,397</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$360,000 2004 USDA AIRPORT REVENUE BONDS**

June 30, 2005

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>July 1</i>	<i>January 1</i>			
2006	\$ 7,355	\$ 7,327	07/01/05	\$ 7,000	\$ 21,682
2007	7,208	7,177	07/01/06	7,000	21,385
2008	7,060	7,027	07/01/07	7,000	21,087
2009	6,951	6,856	07/01/08	8,000	21,807
2010	6,744	6,684	07/01/09	8,000	21,428
2011	6,575	6,513	07/01/10	8,000	21,088
2012	6,407	6,342	07/01/11	8,000	20,749
2013	6,273	6,170	07/01/12	8,000	20,443
2014	6,070	5,977	07/01/13	9,000	21,047
2015	5,880	5,785	07/01/14	9,000	20,665
2016	5,690	5,592	07/01/15	9,000	20,282
2017	5,531	5,377	07/01/16	10,000	20,908
2018	5,290	5,163	07/01/17	10,000	20,453
2019	5,079	4,949	07/01/18	10,000	20,028
2020	4,868	4,713	07/01/19	11,000	20,581
2021	4,662	4,456	07/01/20	12,000	21,118
2022	4,384	4,199	07/01/21	12,000	20,583
2023	4,131	3,921	07/01/22	13,000	21,052
2024	3,857	3,642	07/01/23	13,000	20,499
2025	3,602	3,342	07/01/24	14,000	20,944
2026	3,288	3,021	07/01/25	15,000	21,309
2027	2,972	2,699	07/01/26	15,000	20,671
2028	2,655	2,357	07/01/27	16,000	21,012
2029	2,331	1,992	07/01/28	17,000	21,323
2030	1,960	1,607	07/01/29	18,000	21,567
2031	1,581	1,221	07/01/30	18,000	20,802
2032	1,201	814	07/01/31	19,000	21,015
2033	805	364	07/01/32	21,000	22,169
2034	358	-	07/01/33	14,000	14,358
	<u>\$ 130,768</u>	<u>\$ 125,287</u>		<u>\$ 346,000</u>	<u>\$ 602,055</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$850,000 1996 WATER SUPPLY SYSTEM REVENUE BONDS**

June 30, 2005

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2006	\$ 13,307	\$ 13,307	05/01/06	\$ 70,000	\$ 96,614
2007	11,417	11,417	05/01/07	75,000	97,834
2008	9,355	9,355	05/01/08	75,000	93,710
2009	7,255	7,255	05/01/09	80,000	94,510
2010	4,975	4,975	05/01/10	80,000	89,950
2011	2,655	2,655	05/01/11	90,000	95,310
	<u>\$ 48,964</u>	<u>\$ 48,964</u>		<u>\$ 470,000</u>	<u>\$ 567,928</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$650,000 2001 WATER SUPPLY SYSTEM REVENUE BONDS**

June 30, 2005

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2006	\$ 12,216	\$ 12,216	05/01/06	\$ 40,000	\$ 64,432
2007	11,416	11,416	05/01/07	40,000	62,832
2008	10,596	10,596	05/01/08	40,000	61,192
2009	9,746	9,746	05/01/09	45,000	64,492
2010	8,756	8,756	05/01/10	45,000	62,512
2011	7,733	7,733	05/01/11	45,000	60,466
2012	6,675	6,675	05/01/12	50,000	63,350
2013	5,475	5,475	05/01/13	50,000	60,950
2014	4,250	4,250	05/01/14	55,000	63,500
2015	2,875	2,875	05/01/15	55,000	60,750
2016	<u>1,500</u>	<u>1,500</u>	05/01/16	<u>60,000</u>	<u>63,000</u>
	<u>\$ 81,238</u>	<u>\$ 81,238</u>		<u>\$ 525,000</u>	<u>\$ 687,476</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$7,200,000 2004 CAPITAL IMPROVEMENT BONDS**

June 30, 2005

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>November 1</u>	<u>May 1</u>			
2006	\$ 166,476	\$ 166,476	05/01/06	\$ 230,000	\$ 562,952
2007	163,026	163,026	05/01/07	230,000	556,052
2008	159,576	159,576	05/01/08	240,000	559,152
2009	154,776	154,776	05/01/09	245,000	554,552
2010	149,876	149,876	05/01/10	260,000	559,752
2011	144,676	144,676	05/01/11	270,000	559,352
2012	138,601	138,601	05/01/12	280,000	557,202
2013	132,301	132,301	05/01/13	290,000	554,602
2014	125,051	125,051	05/01/14	305,000	555,102
2015	117,426	117,426	05/01/15	325,000	559,852
2016	110,114	110,114	05/01/16	340,000	560,228
2017	102,464	102,464	05/01/17	355,000	559,928
2018	93,145	93,145	05/01/18	370,000	556,290
2019	83,433	83,433	05/01/19	390,000	556,866
2020	73,195	73,195	05/01/20	220,000	366,390
2021	67,475	67,475	05/01/21	230,000	364,950
2022	61,495	61,495	05/01/22	245,000	367,990
2023	55,125	55,125	05/01/23	255,000	365,250
2024	48,495	48,495	05/01/24	270,000	366,990
2025	41,475	41,475	05/01/25	285,000	367,950
2026	33,994	33,994	05/01/26	300,000	367,988
2027	26,119	26,119	05/01/27	315,000	367,238
2028	17,850	17,850	05/01/28	330,000	365,700
2029	9,188	9,188	05/01/29	350,000	368,376
	<u>\$ 2,275,352</u>	<u>\$ 2,275,352</u>		<u>\$ 6,930,000</u>	<u>\$ 11,480,704</u>

Allocation of principal:

Governmental activities	\$ 1,625,000
Business-type activities	5,020,000
Component Unit - Downtown Development Authority	<u>285,000</u>
	<u>\$ 6,930,000</u>

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE
(UNAUDITED)**

**City of Allegan
Taxable Value
Fiscal Years Ended June 30, 2001 Through 2005**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City of Allegan's Fiscal Years Ended June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	\$ 96,008,550	\$ 20,610,094	\$ 116,618,644	1.71%
2000	2001	2002	102,620,764	21,242,489	123,863,253	6.21%
2001	2002	2003	114,220,256	20,800,679	135,020,935	9.01%
2002	2003	2004	122,713,077	21,218,606	143,931,683	6.60%
2003	2004	2005	136,392,872	19,106,398	155,499,270	8.04%

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2005 (2) \$33,571

(1) At the full tax rate. See "Tax Abatement."

(2) Based on City of Allegan's 2000 census population of 4,632.

Source: City of Allegan

**City of Allegan
Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2001 Through 2005**

Use	Fiscal Years Ended June 30,				
	2001	2002	2003	2004	2005
Agriculture	\$ 42,583,228	\$ 45,372,477	\$ 48,287,960	\$ 50,828,951	\$ 53,255,111
Commercial	22,089,223	25,325,526	29,076,643	31,553,955	34,558,414
Industrial	49,927,937	50,845,250	55,152,341	59,159,324	65,231,295
Residential	2,009,400	2,310,900	2,494,600	2,379,922	2,444,700
Utility	8,856	9,100	9,391	9,531	9,750
	<u>\$ 116,618,644</u>	<u>\$ 123,863,253</u>	<u>\$ 135,020,935</u>	<u>\$ 143,931,683</u>	<u>\$ 155,499,270</u>
Class	Fiscal Years Ended June 30,				
	2001	2002	2003	2004	2005
Real Property	\$ 80,246,344	\$ 86,262,503	\$ 93,534,235	\$ 98,723,279	\$ 105,437,736
Personal Property	36,372,300	37,600,750	41,486,700	45,208,404	50,061,534
	<u>\$ 116,618,644</u>	<u>\$ 123,863,253</u>	<u>\$ 135,020,935</u>	<u>\$ 143,931,683</u>	<u>\$ 155,499,270</u>

Source: City of Allegan

(UNAUDITED)

City of Allegan
State Equalized Valuation
Fiscal Years Ended June 30, 2001 Through 2005

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City of Allegan's Fiscal Years Ended June 30	Ad Valorem SEV	SEV of Property General Tax Abatement Under Act 198	Total SEV	Percent Increase Over Prior Year
1999	2000	2001	\$ 112,077,400	\$ 48,722,800	\$ 160,800,200	6.64%
2000	2001	2002	118,685,200	45,893,200	164,578,400	2.35%
2001	2002	2003	130,944,200	45,449,700	176,393,900	7.18%
2002	2003	2004	141,689,300	52,322,496	194,011,796	9.99%
2003	2004	2005	155,328,000	44,011,500	199,339,500	2.75%

Per Capita Total SEV for the Fiscal Year Ending June 30, 2005 (2)..... \$43,035

(1) See "Tax Abatement."

(2) Based on City of Allegan's 2000 census population of 4,632.

Source: City of Allegan

City of Allegan
Total SEV by Use and Class
Fiscal Years Ended June 30, 2001 Through 2005

Use	Fiscal Years Ended June 30				
	2001	2002	2003	2004	2005
Agriculture	\$ 9,100	\$ 9,100	\$ 14,000	\$ 54,100	\$ 54,100
Commercial	23,565,700	26,136,000	29,788,600	32,880,091	35,317,767
Industrial	78,768,800	76,618,600	80,935,000	93,076,196	93,359,900
Residential	56,447,200	59,503,800	63,161,700	65,584,400	68,162,962
Utility	2,009,400	2,310,900	2,494,600	2,417,000	2,444,700
	<u>\$ 160,800,200</u>	<u>\$ 164,578,400</u>	<u>\$ 176,393,900</u>	<u>\$ 194,011,787</u>	<u>\$ 199,339,429</u>
Class	2001	2002	2003	2004	2005
Real Property	\$ 118,587,300	\$ 121,783,500	\$ 129,665,800	\$ 141,045,787	\$ 144,044,529
Personal Property	42,212,900	42,794,900	46,728,100	52,966,000	55,334,900
	<u>\$ 160,800,200</u>	<u>\$ 164,578,400</u>	<u>\$ 176,393,900</u>	<u>\$ 194,011,787</u>	<u>\$ 199,379,429</u>

Source: City of Allegan

(UNAUDITED)

Tax Abatement

The City of Allegan's taxable value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198 (the Act). The Act was to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village, or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under the Act entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under the Act, there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility, which is being restored or replaced, is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the taxable value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT Tax is also determined the same as the Ad Valorem Tax but, instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals $\frac{1}{2}$ of all tax rates levied by other than the state and local school district for operating purposes plus $\frac{1}{2}$ of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals $\frac{1}{2}$ of all tax rates levied by other than the state plus none, $\frac{1}{2}$, or all of the state tax rate (as determined by the State Treasurer).

The City of Allegan has established goals, objectives, and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City of Allegan has approved a number of applications for local property tax relief for industrial firms. Most abatements have been for new industrial facilities. The SEV of properties, which have been granted tax abatement under the Act, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Rolls, totaled \$44,011,500 for the fiscal year ending June 30, 2005. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$19,106,398 of taxable value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as taxable value.

City of Allegan
Maximum Property Tax Rates
Fiscal Year Ended June 30, 2005

Millage Classification	Millage Authorized	Applicable Millage Reduction Fraction (1)	Maximum Allowable Millage
Operating	17.5000	16.6114	16.4884
Library	1.0000	.9491	.9421
Library (voted)	.5000	.4976	.4939

(1) Cumulative.

Source: City of Allegan

City of Allegan
Property Tax Rates
Fiscal Years Ended June 30, 2001 Through 2005

Levy December 1	Fiscal Year Ended June 30	Allocated Operating	Library	Total
2000	2001	16.6131	1.4469	18.06
2001	2002	16.6131	4.4469	21.06
2002	2003	16.6114	1.4467	18.0581
2003	2004	16.6114	1.4467	18.0581
2004	2005	16.4884	1.4359	17.9243

Source: City of Allegan

City of Allegan
Property Tax Collections
Fiscal Years Ended June 30, 2001 Through 2005

Levy December 1	Fiscal Year Ended June 30	Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected
2000	2001	\$ 1,594,979	\$ 1,515,157	95.00%
2001	2002	1,704,838	1,643,130	96.38%
2002	2003	1,897,347	1,814,614	95.64%
2003	2004	2,038,425	1,940,010	95.17%
2004	2005	2,248,889	2,032,671	90.39%

(1) City taxes only. Includes taxes on properties granted tax abatement under Act 198. See "Tax Abatement."

Source: City of Allegan

(UNAUDITED)

**City of Allegan
Ten Largest Taxpayers
Fiscal Year Ended June 30, 2005**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>% of Total (2)</u>
L Perrogo	Health and beauty aids	\$ 58,297,280	37.49%
Haworth Inc.	Office systems	5,541,027	3.56%
High Point Apts	Apartments	3,604,792	2.32%
J.H. Packaging	Packaging	1,984,900	1.28%
Data Sales Inc.	Leasing	1,717,200	1.10%
Consumers Energy	Utility	1,680,931	1.08%
Charter Communications	Cable utility	1,249,300	0.80%
Village Market	Grocery store	1,119,600	0.72%
Aquila	Utility	997,000	0.64%
Linda Sweet	Apartments	957,991	0.62%
		<u>\$ 77,150,021</u>	<u>49.61%</u>

(1) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement."

(2) Based on \$349,914,835, which is City of Allegan's Total Taxable Value for its fiscal year ended June 30, 2005. Includes the equivalent taxable value of property granted tax abatement under Act 198. See "Tax Abatement."

Source: City of Allegan

**City of Allegan
Legal Debt Margin
As of June 30, 2005**

Debt Limit (1)		\$ 19,933,950
Debt Outstanding	\$ 11,115,799	
Less: Exempt Debt	<u>995,000</u>	
		<u>10,120,799</u>
Legal Debt Margin		<u>\$ 9,813,151</u>

(1) 10% of \$199,339,500, which is the City of Allegan's Total SEV for the fiscal year ended June 30, 2005. Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement."

Source: Municipal Advisory Council of Michigan and City of Allegan

(UNAUDITED)

**City of Allegan
Debt Statement
As of June 30, 2005**

<u>City of Allegan Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Issues:			
Dated June 23, 2004 (Limited Tax)	\$ 6,645,000	\$ -	\$ 6,645,000
Dated July 29, 2003 (Limited Tax)	346,000	-	346,000
Dated June 1998 (Limited Tax)	361,385	-	361,385
Dated February 1, 1998 (Limited Tax)	2,270,000	-	2,270,000
Subtotal	<u>9,622,385</u>	<u>-</u>	<u>9,622,385</u>
Water Revenue Bonds:			
Dated May 1, 2001	525,000	525,000	-
Dated April 1, 1996	470,000	470,000	-
Subtotal	<u>995,000</u>	<u>995,000</u>	<u>-</u>
MEDC Loan Agreement:			
Dated October 1, 1997 (4)	498,414	-	498,414
Subtotal	<u>498,414</u>	<u>-</u>	<u>498,414</u>
Total	\$ 11,115,799	\$ 995,000	\$ 10,120,799

Per Capita Net City of Allegan Direct Debt (1)..... \$2,185
Percent of Net Direct Debt to Total SEV (2)..... 5.07%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Township Share As Percent of Gross</u>	<u>Net</u>
Allegan Public Schools	\$ 46,445,461	31.80%	\$ 14,769,657
Allegan Intermediate School District	470,000	5.95%	27,965
Allegan County	<u>12,594,880</u>	<u>3.85%</u>	<u>484,903</u>
Totals	\$ 59,510,341		\$ 15,282,525

Per Capita Net Overlapping Debt (1)..... \$3,299
Percent of Net Overlapping Debt to Total SEV (2)..... 7.67%

Per Capita Net Direct and Overlapping Debt (1)..... \$5,484
Percent of Net Direct and Overlapping Debt to Total SEV (2)..... 12.74%

- (1) Based on City of Allegan's 2000 census population of 4,632.
(2) Based on \$199,339,500, which is City of Allegan's Total SEV for the fiscal year ended June 30, 2005. Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement."
(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of City of Allegan are liable in addition to debt issued by City of Allegan.

Source: Municipal Advisory Council of Michigan and City of Allegan

(UNAUDITED)